



National Audit Office

DEPARTMENTAL OVERVIEW

A summary of the NAO's work on the Department for Work and Pensions 2010-11

SEPTEMBER 2011

Our vision is to help the nation spend wisely.

We apply the unique perspective of public audit to help Parliament and government drive lasting improvement in public services.

The National Audit Office scrutinises public spending on behalf of Parliament. The Comptroller and Auditor General, Amyas Morse, is an Officer of the House of Commons. He is the head of the NAO, which employs some 880 staff. He and the NAO are totally independent of government. He certifies the accounts of all government departments and a wide range of other public sector bodies; and he has statutory authority to report to Parliament on the economy, efficiency and effectiveness with which departments and other bodies have used their resources. Our work led to savings and other efficiency gains worth more than £1 billion in 2010-11.



National Audit Office

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Introduction

Aim and scope of this briefing

The primary purpose of this Departmental Overview is to provide the Work and Pensions Select Committee with a summary of the work by the National Audit Office on the Department for Work and Pensions since June 2010. It is one of seventeen we have produced covering our work on each major government department. The briefing draws on the Department's Annual Report and Accounts for 2010-11 and other published sources, but its main focus is the findings of work published by the NAO, in particular, those areas where we believe the Department's performance could be improved. The content of the briefing has been shared with the Department to ensure that the evidence presented is factually accurate, but the content of the briefing is the sole responsibility of the NAO.

We will continue to support all select committees in 2011-12, providing briefing on each major department and supporting specific inquiries wherever our expertise and perspective can add value.

Part One

About the Department

The Department's responsibilities

1 The Department for Work and Pensions (the Department) is responsible for paying benefits to those who are entitled to receive them, including the unemployed, pensioners, disabled people and carers, and for providing help to people without jobs to get back to work quickly. In 2010-11, it paid out £151.3 billion in benefits to its customers. The benefits system is large, encompassing over 27 different benefits and a total caseload of around 20 million people.

How the Department is organised

2 The Secretary of State has overall responsibility for departmental policy and chairs the Departmental Board to provide strategic and operational direction. The Board includes four non-executive directors, all appointed since May 2011. The head of the Department is the Permanent Secretary who is responsible for the effectiveness and efficiency of all work in support of policies and objectives, as well as the leadership, management and staffing of the Department.

3 In 2010-11, the Department devolved most of the delivery of the services it provides to its agencies and other bodies (Appendix One):

- **Jobcentre Plus:** helps people to find work and receive the benefits to which they are entitled, and offers a service to employers to fill their job vacancies. There are around 720 jobcentres responsible for processing Jobseeker's Allowance and Employment Support Allowance claims throughout England, Wales and Scotland.
- **Pension, Disability and Carers Service:** responsible for administering State Pension, State Pension Credit and a range of disability benefits.
- **Local authorities:** administer Housing Benefit and Council Tax Benefit on the Department's behalf, which account for 17 per cent of overall benefit expenditure.

- **External providers:** the Department outsources some of its activities, including its Work Programme. This is a new scheme implemented in 2011 to help the unemployed to find work.

The delivery of the work of the Department's agencies has been the responsibility of their respective Chief Executives. From October 2011, however, formal agency status will be removed from Jobcentre Plus and the Pension, Disability and Carers Service, and their separate Management Boards will no longer be required. Day-to-day operations will be brought under the leadership of a Chief Operating Officer within a smaller Executive Team in the Department led by the Permanent Secretary.

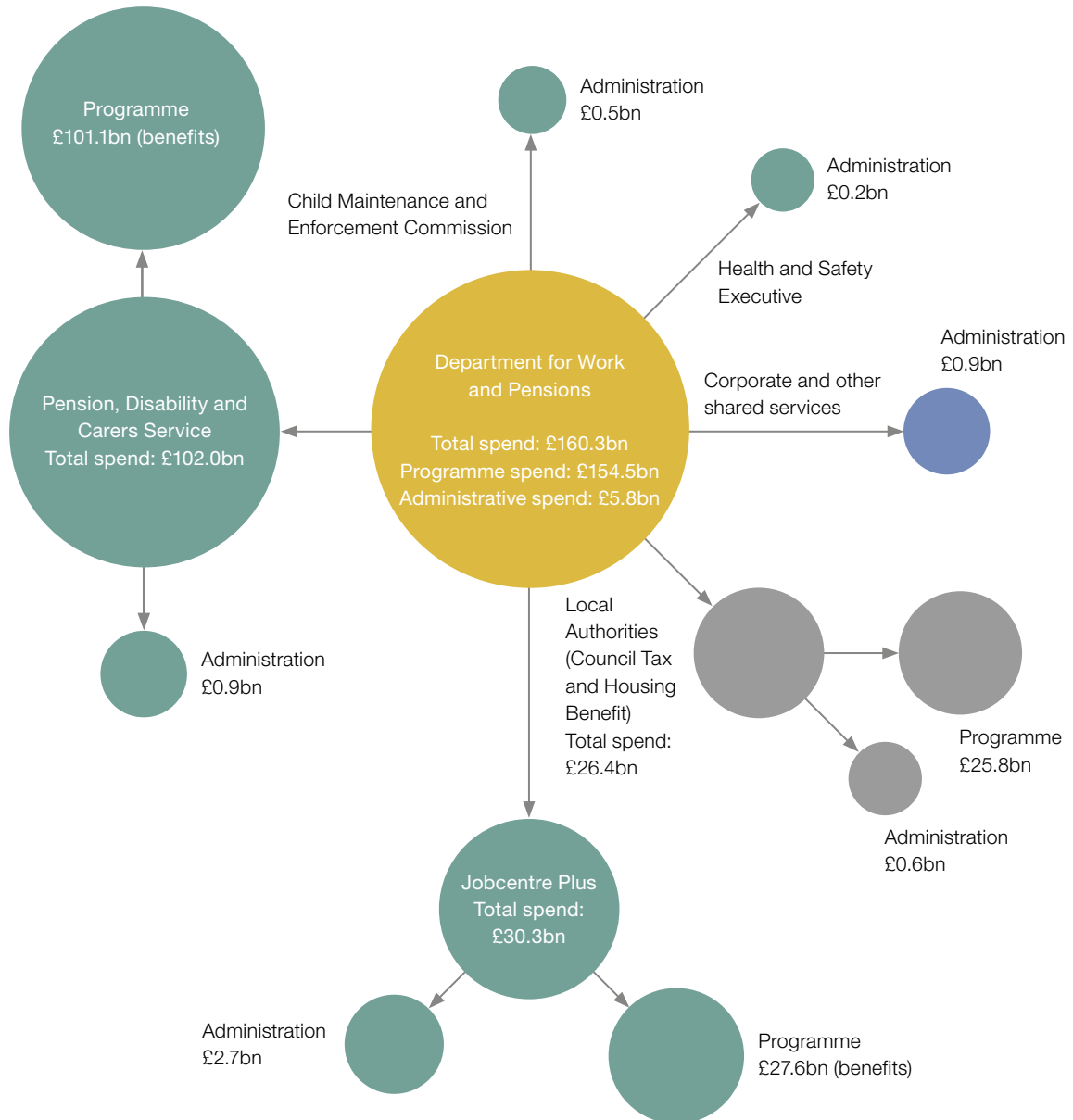
4 The Department is also accountable for a number of Non-Departmental Public Bodies (NDPBs) which deliver services on behalf of Government. The largest of these are the Child Maintenance and Enforcement Commission, which administers the child maintenance system in Great Britain, and the Health and Safety Executive, which regulates health and safety in respect of work activities. The Child Maintenance and Enforcement Commission is included in the schedule of those organisations under the Public Bodies Bill where a Minister would have the power to authorise its abolition and the transfer of its functions elsewhere.

Where the Department spends its money

5 The Department's total expenditure in 2010-11 was some £160.3 billion. The vast majority of spend was distributed through agencies and other sponsored bodies (**Figure 1** overleaf). The Department paid benefits totalling £151.3 billion, with £25.8 billion of this paid out on the Department's behalf by local authorities for Housing Benefit and Council Tax Benefit. **Figure 2** on page 7 sets out expenditure by benefit type. The cost of benefits and pensions is largely funded directly by the Treasury and National Insurance contributions. The Department runs the largest single public expenditure spending programme across government.

6 On 31 March 2011, the Department, Jobcentre Plus, and the Pension, Disability and Carers Service employed 109,609 staff at a cost of £3.5 billion.

Figure 1
The distribution of the Department's resources 2010-11



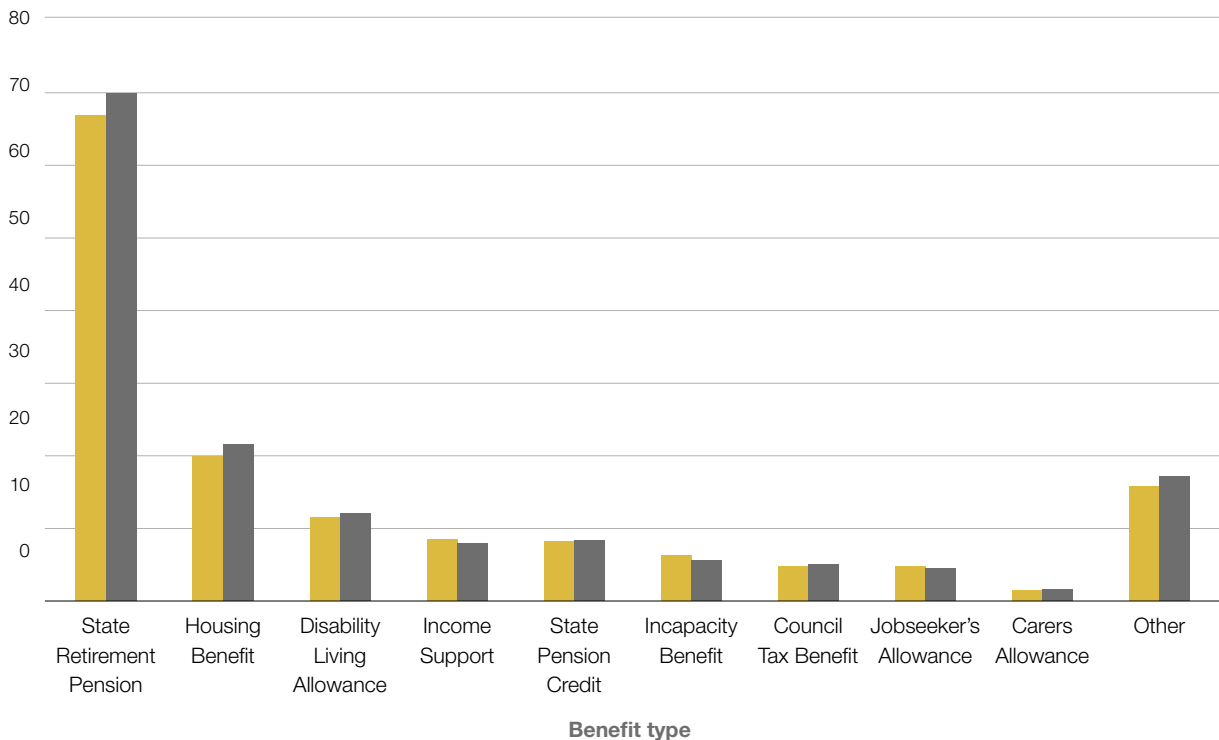
NOTES

- 1 The administrative spend figures in the diagram above may not exactly equal the figures in the accounts of the agencies and sponsored bodies because we have excluded internal recharges.
- 2 Programme spend includes both Annually Managed Expenditure (AME) benefits (£151.3 billion) and employment and other programme spend.
- 3 The £0.2 billion funding provided to the Health and Safety Executive represents the Department's contribution to the organisation, not its budget in full.

Source: National Audit Office analysis of Department for Work and Pensions Resource Accounts 2010-11

Figure 2

Benefit expenditure 2009-10 and 2010-11

Expenditure (£bn)

■ 2009-10 ■ 2010-11

NOTE

1 Other relates to aggregated items for smaller benefits by value such as Invalid Carers Allowance, Severe Disablement Allowance, Industrial Injuries Disablement Allowance, Employment Support Allowance, and winter fuel payments.

Source: Department for Work and Pensions Resource Accounts 2010-11

7 Fraud and error arising from benefit expenditure has been a continuous challenge for the Department for a number of years. The Department's preliminary estimate for 2010-11 of total overpayments due to fraud and error across all benefits is £3.3 billion; this is 2.1 per cent of total benefit.

Recent developments

8 In October 2010, the Department published a joint fraud and error strategy with Her Majesty's Revenue and Customs, **Tackling fraud and error in the benefit and tax credits systems**, which set out proposals to reduce overpayments in both departments. The new strategy refers to an additional £425m of funding to tackle fraud and error over the next four years with a target of a £1.4 billion reduction in overpayments by 2014-15.

9 The Department is currently working to implement significant welfare reforms at the same time as meeting efficiency targets and continuing to deliver services to millions of people. In February 2011, the Government introduced the **Welfare Reform Bill**. One of the main elements of the Bill is the proposed introduction of a new Universal Credit to replace many of the current working age benefits with a single means tested payment. The primary aim of Universal Credit is to create a single streamlined working age benefit with payments that are structured to encourage people to return to work. From October 2013, new claims for out of work support will be made through Universal Credit. Other key developments for the Department are as follows:

- In April 2011, the Incapacity Benefit Reassessment Project was implemented. All Incapacity Benefit recipients will be reassessed between 2010 and 2014, with the aim of moving them onto Employment and Support Allowance, Jobseeker's Allowance, Income Support, or off benefits altogether.
 - Also in April 2011, the Department began a consultation on the Child Maintenance system, which is delivered by the Child Maintenance and Enforcement Commission. The aim of the consultation is to ensure more children benefit from payment of maintenance and to encourage and empower families to collaborate in the best interests of children.
 - In June 2011, the Department introduced the Work Programme in order to support a range of customers back into work. The Work Programme will give providers the freedom to design individual support for customers.
 - The **Pensions Bill** proposes to reform current pension provision. The Bill is designed to encourage employers to provide high quality pensions and make automatic enrolment and higher pension savings a reality. The Government has proposed raising the State Pension age from 65 to 66 between 2018 and 2020. The Government is also consulting on more wide ranging reforms of the pension system.
 - **Leadership criteria** – 'set direction'; 'ignite passion, pace and drive'; and 'develop people'.
 - **Strategy criteria** – 'set strategy and focus on outcomes'; 'base choices on evidence and customer insight'; and 'collaborate and build common purpose'.
 - **Delivery criteria** – 'innovate and improve delivery'; 'plan, resource and prioritise'; 'develop clear roles, responsibilities and delivery models'; and 'manage performance and value for money'.
- 11** All self-assessments are due for completion by March 2012. The Department for Work and Pensions is the first to complete its self-assessment and expects it to be published in October 2011. In addition to self-assessment, departments also have the option of asking the Cabinet Office to undertake a full external Capability Review assessment.
- 12** The Civil Service People Survey aims to provide consistent and robust metrics to help government understand how it can improve levels of engagement across the Civil Service. As part of this survey, civil servants across all participating organisations are asked a range of questions which seek to measure their experiences at work. We present here the results of the annual people survey for the Department for Work and Pensions – undertaken in the Autumn of 2010 – covering the themes of leadership and managing change, and understanding of organisational objectives and purpose (**Figure 3**). The results of 17 major Departments are in Appendix Two.

Capability and leadership

10 In 2006, the Cabinet Office launched Capability Reviews to assess departments' leadership, strategy and delivery – to improve departmental readiness for future challenges and to enable departments to act on long-term key development areas. Since publication of the last round of external assessments, between April 2008 and December 2009, departments are now required to conduct and publish self-assessments and resultant action plans against standard criteria set out in the Cabinet Office model of capability, which was updated in July 2009.¹ Departments must rate their capability against ten criteria under three themes:

13 As part of the annual survey, each Department receives an engagement index, assessing the level of staff engagement determined by: the extent to which staff speak positively of the organisation, are emotionally attached and committed to it, and are motivated to do the best for the organisation. In 2010, the Department for Work and Pensions achieved an engagement index of 46 per cent; five percentage points lower than in 2009 and eleven percentage points lower than the 2010 Civil Service average.

¹ More information about Capability Reviews is available at: www.civilservice.gov.uk/about/improving/capability/index.aspx

Figure 3
2010 Civil Service People Survey: Department for Work and Pensions

Theme	Theme score (% positive) ¹	Difference from 2009 survey	Difference from Civil Service 2010 ²
Leadership and managing change			
I feel that the Department as a whole is managed well	25	-7	-16
Senior Civil Servants in the Department are sufficiently visible	25	-3	-20
I believe the actions of Senior Managers (Senior Civil Servants) are consistent with the Department's values	23	-4	-17
I believe the Executive Team (ET) has a clear vision for the future of the Department	20	-5	-15
Overall, I have confidence in the decisions made by the Department's Senior Civil Servants	17	-6	-19
I feel that change is managed well in the Department	22	-5	-5
When changes are made in the Department they are usually for the better	15	-7	-8
The Department keeps me informed about matters that affect me	41	-7	-13
I have the opportunity to contribute my views before decisions are made that affect me	19	-4	-13
I think it is safe to challenge the way things are done in the Department	28	-4	-11
Organisational objectives and purpose			
I have a clear understanding of the Department's purpose	76	-5	-9
I have a clear understanding of the Department's objectives	73	-4	-5
I understand how my work contributes to the Department's objectives	75	-3	-5

NOTES

- 1 Percentage positive measures the proportion of respondents who selected either 'agree' or 'strongly agree' for a question.
- 2 The 2010 benchmark is the median per cent positive across all organisations that participated in the 2010 Civil Service People Survey. The difference between the Department and the Civil Service (Appendix Two) may differ due to rounding.

Source: Department for Work and Pensions People Survey Results Autumn 2010

Part Two

Financial management

14 The ability of departments to control costs and drive out waste requires professional financial management and reporting. In particular, departments need to be better at linking costs to services and benchmarking performance to determine whether costs are justified and value for money can be improved. Organisations have to publish Statements on Internal Control² with their Annual Financial Statements which describe their arrangements for risk management, internal control and governance.

Financial outturn for 2010-11 and comparison with budget

15 The Department must manage the revenue expenditure of all organisations inside its budgeting boundary. This boundary comprises two separate budgets:

- Revenue Departmental Expenditure Limit – (RDEL); and
- Annually Managed Expenditure (AME) – expenditure which HM Treasury has deemed to be demand-led or exceptionally volatile scores against the AME budget.

16 The Department underspent by £160 million (1.8 per cent) against its final RDEL budget of £9,006 million in 2010-11. The Department underspent by £2,252 million (1.5 per cent) against its final AME budget of £154 billion in 2010-11.

Progress on efficiency

17 Departments are under increasing pressure to reduce costs. The scale of cost reduction required means that they are having to look beyond immediate short-term savings, and think more radically about how to take cost out of the business and how to sustain this in the longer term. Our Short Guide to **Structured Cost Reduction**³ published in June 2010, sets out the high level principles that we expect Departments to follow in taking a structured approach to cost reduction. It covers the three stages of cost reduction – tactical efficiency savings, strategic operational realignment, and sustainable cost reduction – and outlines nine principles underlying structured cost reduction, including having a data-driven approach to understanding, comparing and interrogating costs.

18 We have published detailed information and guidance on a number of the principles underpinning effective structured cost reductions, including **Managing risks in government**,⁴ and **Progress in improving financial management in government**.⁵

19 Between 2011-12 and 2014-15, the Department's budget for running costs is around £7.8 billion a year. The settlement under the Spending Review (October 2010) includes ring-fenced funding to implement Universal Credit and other welfare changes, extra resources to cope with the additional workload from the recession, and extra funding to reduce the cost of overpayments due to fraud and error.

20 When these amounts are excluded, the settlement includes a £2.7 billion reduction. This comprises a £1.3 billion reduction in baseline running costs and a £1.4 billion forecast reduction in administrative costs from the expected economic recovery.

2 From 2011-12, Departments will produce a Governance Statement rather than a Statement on Internal Control.

3 www.nao.org.uk/publications/1011/structured_cost_reduction.aspx

4 *Managing risks in government*, www.nao.org.uk/publications/1012/managing_risks_in_government.aspx

5 *Progress in improving financial management in government*. www.nao.org.uk/publications/1011/financial_management_in_govt.aspx

21 Since 2007, the Department has reported a reduction of £2 billion in its running costs, and initial outturn data shows that the Department met the target set in the June 2010 Budget to reduce running costs by a further £535 million in 2010-11. The latter reduction was largely delivered through a ministerial decision to close the Future Jobs Fund and the implementation of Cabinet Office requirements to introduce moratoria on consultancy and marketing expenditure, plus a freeze on recruitment. Our report on **Structured Cost Reduction**⁶ found that although there is still some way to go before the Department can demonstrate it has a strategic and structured approach to its cost reductions, there are emerging signs of progress.

NAO reports on financial management and efficiency

22 During the last year, our reports have identified a number of areas where financial management and efficiency could be further improved within the Department for Work and Pensions. Our reports on **Reducing costs in the Department for Work and Pensions**,⁶ **Reducing losses in the benefits system caused by customers' mistakes**,⁷ and **Minimising the cost of administrative errors in the benefit system**⁸ have found that the Department needs a better understanding of its expenditure, a clear vision, and a coherent, well-informed plan to ensure efficiency and better financial management. The Department has responded positively to the two reports on error by producing a detailed delivery plan which it submitted to the Committee of Public Accounts in March 2011. Our reports have identified a number of areas where efficiency could be improved.

23 Use of resources: Our report on **Managing the impact of the euro on EU funds**⁹ showed that challenging how existing resources are used may allow the Department to utilise its capacity more effectively. We found that more could be done to manage the risk of a reduction in the value of funds received from the European Union in the event of depreciation in the euro.

24 Management of contractual frameworks: Our review of **Pathways to Work**¹⁰ found that contractors had generally underperformed. The contracting model the Department had chosen did not appear to be sustainable, 'with one third of prime contractors and two thirds of subcontractors expecting to make a financial loss'. We highlighted to the Department the importance of addressing these risks when letting the contracts for the Work Programme.

NAO financial audit findings

25 We audit the accounts of the Department and its arm's-length bodies. The Comptroller and Auditor General gave a qualified audit opinion on the Department's **2010-11 Annual Accounts**¹¹ due to the material level of fraud and error in benefit expenditure, other than State Pension where the level of fraud and error is lower. The Department's accounts have received similar qualified audit opinions since 1988-89. It estimates that overpayments due to fraud and error across all benefits was £3.3 billion or 2.1 per cent of total benefit expenditure. The Comptroller and Auditor General did, however, recognise the Department's commitment to tackling fraud and error and the refreshed approach it intends to take to drive down incorrect payments.

6 *Reducing costs in the Department for Work and Pensions*, <http://www.nao.org.uk/dwp-cost-reduction-2011>

7 *Reducing losses in the benefits system caused by Customers' mistakes*, http://www.nao.org.uk/publications/1011/dwp_customer_error.aspx

8 *Minimising the cost of administrative errors in the benefits system*, http://www.nao.org.uk/publications/1011/errors_in_the_benefits_system.aspx

9 *Managing the impact of changes in the value of the euro on EU funds*, http://www.nao.org.uk/publications/1011/eu_funds.aspx

10 *Support to incapacity benefits claimants through Pathways to Work*, http://www.nao.org.uk/publications/1011/pathways_to_work.aspx

11 *Department for Work and Pensions: Annual Report and Accounts 2010-11*, <http://www.dwp.gov.uk/docs/dwp-annual-report-and-accounts-2010-2011.pdf>

26 The Comptroller and Auditor General also qualified his audit opinion on the **2010-11 Social Fund White Paper Account**¹² for the eighth consecutive year. The account was qualified because of material levels of error in discretionary awards, which include Budgeting Loans, Crisis Loans and Community Care Grants, and in Funeral Expense Payments. There was also a further qualification for the first time relating to Cold Weather Payments. Similarly, he qualified his audit opinion on the **Child Maintenance Enforcement Commission Client Funds Account 2009-10**¹³ because of material errors in the calculation of maintenance assessments and a material error in the value of arrears, concluding the account does not give a true and fair view of the maintenance arrears outstanding at 31 March 2010.

Issues raised in Statements on Internal Control

27 We work with the Department and its sponsored bodies to improve their published Statements on Internal Control. We aim to ensure that the processes by which Statements are produced are robust and that the Statements comply with Treasury guidance.

28 The Department reported in its 2010-11 Statement of Internal Control that two significant control challenges have been eased or addressed during the year – assurances over the debt balance in the account and the recording of national insurance credits. However, it also reported a further seven significant control challenges. These were:

- The scale of fraud and error in the benefit system.
- Social fund debt – an inability to corroborate the £1.1 billion debt balance, held in the Department's accounting systems and weaknesses in the standard of decision-making and procedures around document management.
- Weaknesses in the end to end process for making certain types of manual payment through the Department's computer systems.
- Weaknesses in assurances over the Department's contracted employment programmes.
- Quality of information supporting the estimate process for forecasting Statutory Maternity Pay and Statutory Sick Pay.
- Security of customer information. The Department needs to continue to address current and emerging information security issues whilst striving for continuous improvement. There are remaining issues around the secure physical transfer and destruction of paper records.
- Clearing the backlog of Working Capability Assessments and appeals is a significant capacity challenge for Jobcentre Plus. A programme of action within Jobcentre Plus is in place to mitigate these risks, including the introduction of a Quality Assurance Framework to improve the quality of decisions and the development of comprehensive contingency plans.

29 The Department noted that each of the individual issues is being addressed.

12 *Department for Work and Pensions Social Fund White Paper Account 2010-11*, http://www.nao.org.uk/publications/1012/social_fund_2010-11.aspx

13 *Child Maintenance and Enforcement Commission Client Funds Account 2008-09 & 2009-10* http://www.nao.org.uk/publications/1012/cmec_accounts_0809__0910.aspx

Part Three

Use of information

30 Government needs robust, timely information on context, activities, costs, progress against its objectives, and the cost-effectiveness of its activities. It also needs to be able to interpret that information, by reference to trends, expectations, benchmarks and other comparisons, to identify problems and opportunities. Departments need reliable information on which to design and deliver services and monitor quality, be confident about their productivity, and drive continuous improvement.

31 The Coalition Government has pledged, under the transparency agenda, to make more government information available to the public to help improve accountability and deliver economic benefits. In June 2010, the system of Public Service Agreements ended and instead, departments are to be held accountable to the public based on the data they use to manage themselves.

Reporting performance: Annual Reports and Business Plans

32 Each government department now reports its performance against the priorities and objectives set out in its Business Plan. A transparency section of the Plan includes performance indicators selected by the Department to reflect its key priorities and demonstrate the cost and effectiveness of the public services it is responsible for. These indicators fall broadly into two categories:

- Input indicators: a subset of the data gathered by the Department on the resources used in delivering services.
- Impact indicators: designed to help the public judge whether departmental policies are having the desired outcome.

33 A structural reform section of the Plan provides a detailed list of actions and milestones designed to show the steps the Department is taking to implement the Government's reform agenda.

34 Departmental progress against indicators is published regularly in a Quarterly Data Summary, most recently in July 2011. The Quarterly Data Summary is designed as a standardised tool for reporting selected performance metrics for each government department, in a way that facilitates comparison across departments where this is appropriate. Data published in the summary can be compared to the previous quarter (April 2011) which will also be the baseline for this data set. The information in the summary has not been audited and the Cabinet Office has said that the accuracy of the data for all departments needs to improve.¹⁴ However, the Cabinet Office expects that over time, with improvements in data quality and timeliness, the public will be able to judge the performance of each department in a meaningful and understandable manner. An annual version of this information is expected to be formally laid in Parliament in departments' Annual Reports and Accounts from 2012 onwards.

35 It is too early to comment on departmental performance reported against the new performance indicators. Through its review of departmental business planning, however, the House of Commons Committee of Public Accounts¹⁵ identified some essential elements to help ensure effective accountability and value for money, including the need for:

- monitoring arrangements which align costs and results for all significant areas of departmental activity and spending; and
- clear definitions of expected outcomes and standards, rigorous timelines and appropriate strategies to intervene when expectations are not met.

¹⁴ <http://www.cabinetoffice.gov.uk/resource-library/business-plan-quarterly-data-summary>

¹⁵ *Departmental Business Planning* (Thirty-seventh Report of Session 2010-12), House of Commons Committee of Public Accounts, May 2011, <http://www.publications.parliament.uk/pa/cm201012/cmselect/cmpubacc/650/650.pdf>

Performance reported by the Department

36 The Department's Business Plan¹⁶ outlines its visions and priorities for 2011-15, as well as the key commitments involved in delivering the proposed welfare reforms. The plan sets out the indicators which the Department believes are most useful to the public in understanding the costs and outcomes of employment and welfare services. Input indicators include the unit costs of processing benefits and impact indicators include the rate of pensioner poverty and the average age people stop working.

37 In the most recently published data on its performance against its Structural Reform Plan Actions,¹⁷ the Department reported that there were no actions overdue.¹⁸

Testing the reliability of performance data across government

38 Some of the data systems used to report against the new performance indicators will be the same as those already being used by the Department to report against Public Service Agreements. In July 2010, we published our **Sixth Validation Compendium Report**¹⁹ on our work to test the systems used to report against Public Service Agreements. Our report found that the quality of data systems had improved but a third of the systems examined needed strengthening to improve controls or transparency and 10 per cent of systems were not fit for purpose.

39 Over the next three years we will complete work to validate the data systems underpinning the departmental business plans and other key management information.

Use of information by the Department

40 During the last year, our reports have identified a number of areas where the use of information within the Department could be improved.

41 Adequacy of information to improve understanding of the value of activities and the associated costs: Our report on **Structured Cost Reduction**²⁰ found that the Department recognised the importance of improving its understanding of the cost-effectiveness of its activities. It is introducing Performance Agreements to specify the services to be delivered as well as the budget available for each business area. In addition, the Department has been developing an activity-based costing model which has been used to help determine staffing requirements in the Department's two agencies, the Pension, Disability and Carers Service, and Jobcentre Plus.

42 Information to assess the effectiveness of policy initiatives: Our reports on **Minimising the cost of administrative error in the benefits system**²¹ and **Reducing losses in the benefits system caused by customers' mistakes**²² found the Department lacks the information needed to target initiatives to tackle error effectively, and there was insufficient data on the causes of error or on the costs and impacts of initiatives necessary for effective programme management. Without this data, the Department was unable to measure the impact of changes to routine business processes, to assess the relative costs and benefits of alternative initiatives targeting error, or to be confident that it had the right balance of effort between preventative and detective measures focused on reducing fraud, administrative error and customer error. The Department has responded positively to both these reports and has produced a costed delivery plan to implement its fraud and error strategy.

16 The Department for Work and Pensions, Business Plan 2011-15, <ay 2011 <http://www.dwp.gov.uk/docs/dwp-business-plan-may-2011.pdf>

17 The performance data has not been audited

18 Departmental Business Plan Quarterly Data Summary July 2011, <http://www.dwp.gov.uk/docs/srp-quarterly-data-0711.xls>

19 *Taking the measure of government performance*, www.nao.org.uk/publications/1011/government_performance.aspx

20 *Reducing costs in the Department for Work and Pensions*, <http://www.nao.org.uk/dwp-cost-reduction-2011>

21 *Minimising the cost of administrative errors in the benefit system*, http://www.nao.org.uk/publications/1011/errors_in_the_benefits_system.aspx

22 *Reducing losses in the benefits system caused by customers' mistakes*, http://www.nao.org.uk/publications/1011/dwp_customer_error.aspx

Part Four

Service delivery

43 Public services are different in the ways they are delivered but their quality and cost-effectiveness depends on a number of common minimum requirements. For example, service delivery requires a well thought-out delivery model, sound programme and project management, strong commercial skills, mature process management and a real understanding of customer needs. Many of our reports to Parliament cover these issues.

44 The Department is the largest service delivery department in the United Kingdom and serves over 20 million customers. The Department's programme of reform aims to improve services to the public by improving the speed, ease and efficiency of delivery. Service delivery within the Department is complex because of the number of regulations and requirements which need to be understood and followed by the Department, its staff and its customers.

45 During the last year, our reports have identified scope for improvements in service delivery.

46 Programme and project management: project and contract management have been identified as critical factors to the success of the Department's key programmes covered by our reports in the last year:

- We found that **programme management arrangements for structured cost reduction**²³ varied between the Group Finance Directorate and Jobcentre Plus. The Programme Management Office in Jobcentre Plus had substantial project management experience and knowledge of the business. There were clear procedures and sufficient resources in place to scrutinise and challenge cost reduction plans, report on progress to senior staff and manage risks to delivery.
- Our report on **Support to incapacity benefits claimants through Pathways to Work**²⁴ found that the Department had insufficient knowledge of the Pathways supply chain and the subcontractors used by prime contractors to deliver employment support. Since introducing Pathways, the Department has taken steps to strengthen its knowledge of the supply chain and, through its 2008 Commissioning Strategy, has committed to a 'market stewardship' role in which it is prepared to intervene to support smaller and more specialist contractors further down the delivery chain. The Department has also established a 'Code of Conduct' to support the supply chain, but a lack of information reduces scope to monitor compliance and limits the ability to monitor contractor behaviour.
- Our report on **Reducing losses in the benefits system caused by customers' mistakes**²⁵ concluded that we were unable to establish whether the Department had consistently targeted its resources and initiatives to best effect because, whilst it did receive information about individual projects, it did not consider all the initiatives together as a coherent programme.

²³ *Reducing costs in the Department for Work and Pensions*, <http://www.nao.org.uk/dwp-cost-reduction-2011>

²⁴ *Support to incapacity benefits claimants through Pathways to Work*, http://www.nao.org.uk/publications/1011/pathways_to_work.aspx

²⁵ *Reducing losses in the benefits system caused by Customers' mistakes*, http://www.nao.org.uk/publications/1011/dwp_customer_error.aspx

47 Complexity in the benefit system: Our report on **Minimising the cost of administrative errors in the benefit system**²⁶ found that the complexity of the benefits system means that benefits will always be subject to some degree of error. Complexity in the benefits system has been a matter of concern to the Government for a number of years and is largely the result of an accumulation of years of legislative change from successive governments designed to try to keep pace with the changing social and economic circumstances of the Department's customers. The Department is of the view that its customers' circumstances have changed more frequently than in the past, and these have added to complexity in the benefit system. These problems are compounded by the fact that many of the Department's IT systems are relatively old and difficult to change. As a result, the evolving benefit systems and the challenge in responding promptly generate a risk of error.

48 The Government plans to introduce a Universal Credit which will replace working age benefits and tax credits with an integrated working age credit, a basic allowance with additional elements for children, disability, housing and caring. Through the new system, the Department aims to simplify the existing benefits systems and increase incentives to work, resulting in (amongst others) reductions in the cost of benefit provision through lower fraud and error, lower payments and lower administrative cost.

49 Understanding of the needs of customers: Our report on **Reducing losses in the benefits system caused by customer mistakes**²⁷ found that mistakes made by customers are difficult for the Department to tackle because they often arise from changes in customers' circumstances, which customers may not realise they have to tell the Department about.

26 *Minimising the cost of administrative errors in the benefits system*, http://www.nao.org.uk/publications/1011/errors_in_the_benefits_system.aspx

27 *Reducing losses in the benefits system caused by Customers' mistakes*, http://www.nao.org.uk/publications/1011/dwp_customer_error.aspx

Appendix One

The Department's sponsored bodies at 1 April 2011

Executive and Public Corporations

Organisation	Function
Child Maintenance and Enforcement Commission	Responsible for the administration and development of the child maintenance system in Great Britain. Its primary objective is to maximise the number of effective child maintenance arrangements in place for children who live apart from one or both of their parents.
Health and Safety Executive	Responsible, with local authorities, for the regulation of health and safety risks that arise out of work activities.
Independent Living Fund	In December 2010, a decision was made to close the Independent Living Fund permanently for new applications. Independent Living Fund will continue to operate for the benefit of existing recipients by providing financial support to disabled people to enable them to choose to live in the community rather than in residential care.
National Employment Savings Trust (NEST) Corporation	The NEST Corporation is the trustee body responsible for overseeing National Employment Savings Trust. NEST will be a new, low cost, workplace pension scheme that is being designed to meet the needs of low-to moderate earners and their employers in particular.
Remploy Ltd	Expands the opportunities for disabled people in sustainable employment within Remploy and the community it serves.
The Pensions Advisory Service	Provides an independent and free information and guidance service to citizens who have either a general or a specific query or complaint on a pensions matter.
The Pensions Regulator	Protects the benefits of members of work-based pension schemes, promotes good administration in such schemes, and reduces the risk of situations arising that may lead to claims for compensation from the Pension Protection Fund. Also responsible for establishing and running the Employer Compliance Regime in support of the workplace pension reforms.

Organisation	Function
Pension Protection Fund	Provides compensation to members of eligible defined benefit pension schemes whose employer becomes insolvent, and where there are not sufficient assets in the pension scheme. Also administers the Fraud Compensation Fund and the Financial Assistance Scheme.
Tribunal	
Pensions Ombudsman	The Pensions Ombudsman (PO) determines complaints and disputes concerning occupational and personal pensions schemes. The Pension Protection Fund Ombudsman (PPFO) deals with complaints and reviewable matters concerning the Pension Protection Fund and appeals against decisions of the manager of the Financial Assistance Scheme.
Pension Protection Fund Ombudsman	
Advisory	
Equality 2025	The advisory bodies provide independent and expert advice to ministers, supported by a secretariat team from within the Department. They do not have their own budget or give financial provision to members of the public.
Industrial Injuries Advisory Council	
Social Security Advisory Committee	

Appendix Two

Results of the Civil Service People Survey 2010

Question scores (% strongly agree or agree)

Leadership and managing change

I feel that the department as a whole is managed well	41
Senior Civil Servants in the Department are sufficiently visible	45
I believe the actions of Senior Civil Servants are consistent with the Department's values	39
I believe that the Departmental Board has a clear vision for the future of the Department	35
Overall, I have confidence in the decisions made by the Department's Senior Civil Servants	36
I feel that change is managed well in the Department	27
When changes are made in the Department they are usually for the better	23
The Department keeps me informed about matters that affect me	54
I have the opportunity to contribute my views before decisions are made that affect me	32
I think it is safe to challenge the way things are done in the Department	39

Organisational objectives and purpose

I have a clear understanding of the Department's purpose	84
I have a clear understanding of the Department's objectives	78
I understand how my work contributes to the Department's objectives	80

Civil Service overall

Department for Business, Innovation and Skills (excluding agencies)																	
Cabinet Office (excluding agencies)																	
Department for Communities and Local Government (excluding agencies)																	
Department for Culture, Media and Sport (excluding agencies)																	
Ministry of Defence (excluding agencies)																	
Department for Education																	
Department of Energy and Climate Change																	
Department for Environment, Food and Rural Affairs (excluding agencies)																	
Foreign and Commonwealth Office (excluding agencies)																	
Department of Health (excluding agencies)																	
HM Revenue & Customs																	
HM Treasury (excluding agencies)																	
Home Office (excluding agencies)																	
Department for International Development																	
Ministry of Justice (excluding agencies)																	
Department for Transport (excluding agencies)																	
Department for Work and Pensions (including Jobcentre Plus and Pension, Disability and Carers Service)																	
	38	33	27	38	23	55	47	38	58	39	12	56	43	60	38	42	25
	50	48	42	62	27	60	68	49	64	51	23	68	50	65	46	53	25
	40	38	28	43	28	49	52	37	60	42	19	52	43	56	40	39	23
	29	24	19	25	21	40	35	31	49	28	15	35	30	51	32	29	20
	33	33	23	33	20	46	49	32	52	37	11	51	39	50	34	32	17
	31	20	21	29	16	41	31	29	45	21	11	35	26	41	27	25	22
	18	15	13	12	12	23	25	20	37	14	9	32	21	30	24	15	15
	58	52	51	68	45	64	69	62	64	52	31	64	57	66	53	57	41
	28	32	29	48	22	34	34	34	43	29	16	54	34	44	31	36	19
	34	38	32	44	35	41	45	40	47	33	21	57	40	42	37	40	28
	75	70	63	71	83	79	89	77	82	74	65	85	82	94	76	68	76
	68	58	59	67	77	69	83	71	79	69	62	79	77	91	70	61	73
	76	67	67	70	81	73	84	77	83	74	65	77	79	90	73	69	75

Appendix Three

Publications by the NAO on the Department since 2008-09

Publication date	Report title	HC number	Parliamentary session
23 June 2011	Reducing costs in the Department for Work and Pensions	HC 1089	2010-12
28 April 2011	The Health and Safety Executive's work in Scotland. Memorandum for the House	www.nao.org.uk/publications/1011/hse_work_in_scotland.aspx	
21 January 2011	Reducing losses in the benefits system caused by customers' mistakes	HC 704	2010-11
25 November 2010	Minimising the cost of administrative errors in the benefit system	HC 569	2010-11
22 July 2010	The Community Care Grant	HC 286	2010-11
6 July 2010	Short guide to the NAO's work on the Department for Work and Pensions		
28 May 2010	Support to incapacity benefits claimants through Pathways to Work	HC 21	2010-11
5 February 2010	Pension Protection Fund	HC 293	2009-10
7 May 2009	Communicating with Customers	HC 421	2008-09
1 May 2009	Management of Benefit Overpayment Debt	HC 294	2008-09
26 February 2009	Supporting Carers to Care	HC 130	2008-09

Appendix Four

Cross-government NAO reports of relevance to the Department since 2008-09

Publication date	Report title	HC number	Parliamentary session
3 March 2011	Progress in improving financial management in government	HC 487	2010-11
18 February 2011	Managing the impact of changes in the value of the euro on EU funds	HC 759	2010-11
8 December 2010	The impact of the 2007-08 changes to public service pensions	HC 662	2010-11
14 July 2010	Taking the measure of government performance		
18 March 2010	Reorganising central government	HC 452	2009-10
6 November 2009	Commercial skills for complex government projects	HC 962	2008-09
21 October 2009	Measuring up: How good are the Government's data systems for monitoring performance against Public Service Agreements?	HC 465	2008-09
16 October 2009	Government cash management	HC 546	2008-09
29 April 2009	Addressing the environmental impacts of government procurement	HC 420	2008-09
26 March 2009	Innovation across central government	HC 12	2008-09
27 February 2009	Helping Government Learn	HC 129	2008-09
13 February 2009	Recruiting civil servants effectively	HC 134	2008-09
5 February 2009	Assessment of the Capability Review programme	HC 123	2008-09
19 December 2008	Central government's management of service contracts	HC 65	2008-09

Appendix Five

Other sources of information

Reports from the Committee of Public Accounts since 2008

Publication date	Report title	HC number	Parliamentary session
24 May 2011	Thirty-seventh Report of Session 2010–12, Departmental Business Planning	HC 650	2010–12
10 March 2011	Reducing Errors in the Benefit System	HC 668	2010-11
16 December 2010	The Community Care Grant	HC 573	2010-11
13 September 2010	Support to Incapacity Benefit Claimants through Pathways to Work	HC 404	2010-11
17 March 2010	Management of Benefit Overpayment Debt	HC 444	2009-10
6 April 2010	Nine Reports from the Comptroller and Auditor General published from July 2009 to March 2010	HC 520	2009-10
8 September 2009	Supporting Carers to Care	HC 549	2008-09
26 March 2009	Handling Customer Complaints	HC 312	2008-09

Recent reports from Central Government

December 2009 Putting the Frontline First: smarter government

Cabinet Office Capability Reviews

(www.civilservice.gov.uk/about/improving/capability/reports.aspx)

July 2008	Department for Work and Pensions: Progress and next steps	Phase 2 report
July 2007	Capability Review of Department for Work and Pensions: One Year Update	Phase 1 report
July 2006	Capability Review of the Department for Work and Pensions	Phase 1 report

Where to find out more

The National Audit Office website is
www.nao.org.uk

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